

Q has a defined benefit pension plan and prepares financial statements to 31 August 20X2. The following additional information is relevant for the year ended 31 August 20X3.

The net pension liability at 31 August 20X3 is stated before making any adjustment in respect of actuarial gains or losses arising in the year. *The opening and closing liabilities were £35m and £40m respectively.*

No actuarial gains or losses were recognised in the income statement for the year.

The expected return on assets was \$60 million.

The unwinding of the discount on the pension liability was \$30 million.

The current service cost was \$45 million.

The entity granted additional benefits to existing pensioners that vested immediately and that have a present value of \$10 million. These were not allowed for in the original actuarial assumptions.

The entity paid pension contributions of \$40 million.

Ignoring deferred tax, what is the actuarial gain or loss arising in the year ended 31 August 20X3?

- A A loss of \$5 million
- B A loss of \$10 million
- C A loss of \$20 million
- D A gain of \$20 million

Answer C

	\$m
Opening liability	(35)
Expected return on assets	60
Unwinding of discount	(30)
Current service cost	(45)
Additional benefits	(10)
Pension contributions	40
Actuarial loss (bal fig)	(20)
Closing liability	<u>(40)</u>